

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 INR-07 NSAE-00 PA-01 USIA-06

PRS-01 SP-02 AID-05 EB-07 NSC-05 CIEP-01 TRSE-00

SS-15 STR-01 OMB-01 CEA-01 COME-00 FRB-03 XMB-02

OPIC-03 LAB-04 SIL-01 L-02 H-02 PM-03 /084 W

----- 069554

R 150739Z MAR 75

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 1648

INFO SECDEF WASHDC

CINCPAC HONOLULU

CINCPACAF HICKAM AFB

CDR USARMY PROC AGCY FT SHAFTER HI

USACC FT HUACHUCA AZ

COMUSMACTHAI

C O N F I D E N T I A L SECTION 1 OF 2 BANGKOK 4313

E.O. 11652: GDS

TAGS: MARR; TH

SUBJECT: THAILAND FACILITIES MAINTENANCE CONTRACTS (U)

REF: A) STATE 12488

B) BANGKOK 2194

C) CINCPAC 110421A MAR 75

D) CINCPAC 1104412 MAR 75 (RETRANSMITTING USAPA-C
252040Z FEB 75)

E) CINCPAC 1104392 MAR 75 (RETRANSMITTING CINCPAC
2703002 FEB 75)

F) MACTHAI 110235Z DEC 74

SUMMARY:

AFTER ALMOST SEVENTEEN MONTHS OF RECURRING NEGOTIATIONS
WITH THE THAI, I CANNOT SEE ANY HOPE OF OUR CONTINUING
THE FACILITIES MAINTENANCE CONTRACTS AS IS. UNLESS WE
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PROCEED TOWARDS A TRANSFER TO THAI ENTITIES, EVEN

EXTENSIONS OF THE CURRENT CONTRACTS ARE UNLIKELY. WE MAY BE AT SOME POINT FORCED IN-SERVICE TO GET THE JOB DONE, BUT EVEN THIS SOLUTION COULD ENCOUNTER HEAVY GOING. APPROVAL OF OUR FALL-BACK PROPOSAL STILL IS NECESSARY SO WE CAN START NEGOTIATIONS WITHOUT DELAY WHEN GOVERNMENT IS FORMED. OUR INITIAL OBJECT IN THESE NEGOTIATIONS WILL, OF COURSE, BE THE PROPOSAL CONTAINED IN OUR LETTER TO THE PRIME MINISTER. END SUMMARY.

1. AS I COME TO THE END OF MY LAST WEEK AT THIS POST, I AM CHAGRINED BY WASHINGTON'S APPARENT MISCONCEPTION OF OUR ABILITY TO OBTAIN AN ACCOMMODATION FROM THE RTG ON OUR FUTURE FACILITIES MAINTENANCE CONTRACTS AS EXPRESSED IN REFERENCES C, D AND E. FROM THE BEGINNING OF MY ASSIGNMENT, I HAVE CONFERRED WITH VARIOUS OFFICIALS OF THE RTG REGARDING OUR QUEST FOR THE EXEMPTION OF DOD CONTRACTORS FROM THAI TAXES. DURING THE COURSE OF THESE NEGOTIATIONS, I (AND SOME OF MY PREDECESSORS AS WELL) HAVE AGREED IN PRINCIPLE WITH THE THAI DESIRES TO HAVE THE FACILITIES MAINTENANCE CONTRACTS TRANSFERRED TO THAI BUSINESSES. THE THAI HAVE SEEN THIS AS A UNIQUE OPPORTUNITY TO ACQUIRE BOTH MANAGEMENT AND TECHNICAL EXPERTISE, AND WE, IN ADDITION TO AGREEING WITH THE WORTHINESS OF THAT RESULT, HAVE SEEN THIS AS A QUID IN RETURN FOR THE QUO OF TAX EXEMPTION.

2. THE THAI HAVE INCREASINGLY INSISTED ON OUR GETTING ON WITH THE TRANSFER. ON THE LAST SUCH OCCASION, DECEMBER 1974, THIS INSISTENCE WAS ACCOMPANIED BY A REFUSAL TO CLEAR REQUESTS FOR CONTRACTOR EMPLOYEE VISA EXTENSIONS (REF F). IT WAS ONLY AFTER A FIRM PROMISE TO INITIATE THE REQUESTED TRANSFER ACTION (STILL RESERVING OUR POSITION ON TAXES) THAT THE VISAS WERE CLEARED. AGAINST THIS HISTORY, IT IS UNREASONABLE TO BELIEVE THAT THE THAI WILL PERMIT US THE OPTIONS OF CONTINUING OUR CURRENT CONTRACTS OR REPROCURING THE SERVICES FROM OTHER U.S. INVITED CONTRACTORS.

3. TO DATE WE HAVE NOT RECEIVED A REPLY TO THE LETTER I FORWARDED TO THE PRIME MINISTER (REF A). WE HAVE JUST BEEN GIVEN INDICATIONS, HOWEVER, THAT THE REPLY IS ON THE WAY AND THAT IT WILL CONTAIN A "COMPROMISE" PROPOSAL. ON MARCH 14, CONFIDENTIAL

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ANOTHER PRIME MINISTER WAS ELECTED BY THE HOUSE OF REPRESENTATIVES AND HE IS EMBARKED ON THE FORMATION OF HIS CABINET. AS SOON AS THAT GOVERNMENT IS ESTABLISHED, THE EMBASSY WILL SEEK TO HAVE IT FOCUS ON THE QUESTION SOONEST, SINCE WE ARE AWARE OF THE TIME NEEDED TO CHANGE OVER THE FACILITIES MAINTENANCE CONTRACT SERVICES.

4. WE ARE ALSO AWARE THAT EACH OF THE THREE FACILITIES

MAINTENANCE CONTRACTS CONTAINS AN OPTION FOR EXTENSION.
IT MAY BE POSSIBLE TO OBTAIN RTG APPROVAL FOR AT LEAST LIMITED
EXTENSION IF WE ARE MAKING PROGRESS TOWARD A MUTUALLY
ACCEPTABLE NEW ARRANGEMENT.

5. OUR PERFORMANCE ON ANY OF THE FACILITIES MAINTENANCE
CONTRACTS IN-HOUSE WOULD IN MY ESTIMATION BE INTERPRETED
BY THE THAI AS WELCHING ON OUR PREVIOUSLY EXPRESSED TRANS-
FER COMMITMENT. OF COURSE, IF THAT IS THE ONLY MEANS LEFT
OPEN TO US BECAUSE OF THAI INTRANSIGENCE ON THE TAX ISSUE
AND REFUSAL TO EITHER ENTERTAIN THE MACTHAI-MOD AGREEMENT
CONCEPT OR PERMIT EXTENSION OF THE CURRENT CONTRACTS WE
MIGHT HAVE NO CHOICE. SINCE THAT IS NOT BEYOND THE REALM
OF POSSIBILITY, WE SHOULD BE PREPARED TO GO IN-HOUSE IF
NECESSARY. IN FACT, THE THREAT OF SUCH A STEP COULD BE USEFUL
TO ATTRACT THE NEW GOVERNMENT'S ATTENTION TO THE TAX
EXEMPTION ISSUE.

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C O N F I D E N T I A L SECTION 2 OF 2 BANGKOK 4313

6. BASED UPON EXPERIENCE WITH THE THAI SECURITY GUARD

CONTRACT, WE REALIZE THE NEED TO INSURE THAT THE DOD CUSTOMER OF AN MOD-MACHTAI AGREEMENT WILL BE ABLE TO EXERCISE CONTROL OVER PERFORMANCE. IF AUTHORITY IS GRANTED TO EXPLORE THIS OPTION WITH THE RTG, THE SUGGESTIONS CONTAINED IN REFERENCES D AND E WILL BE SURFACED AND DISCUSSED. ANY RESULTING AGREEMENT THAT DOES NOT PROVIDE THE MEANS FOR SOME DEGREE OF POSITIVE CONTROL OF PERFORMANCE BY THE DOD CUSTOMER WILL NOT BE CONSIDERED WORKABLE.

7. IN VIEW OF MY DEALINGS WITH THE RTG THROUGHOUT MY WHOLE TOUR, I CANNOT DISCERN ANY REASON FOR US TO ASSUME THAT WE WILL BE ALLOWED TO CONTINUE WITHOUT OUR CURRENT U.S. CONTRACTORS FOR FACILITIES MAINTENANCE SERVICES. WE MAY BE ABLE TO EXTEND THE CURRENT CONTRACTS IF IT APPEARS TO THE THAI THAT SUCH EXTENSIONS ARE NECESSARY FOR THE ORDERLY TRANSFER OF THE BUSINESS TO THE FOLLOW-ON ARRANGEMENT, BE IT AN MOD SUB-CONTRACTOR OR A THAI REGISTERED FIRM. I
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FURTHER BELIEVE THAT IF WE VOLUNTARILY OPT FOR IN-HOUSE SERVICES WITHOUT BEING FORCED TO DO SO BY THE INACTION OF THE RTG WE MAY JEOPARDIZE ANY CHANCE OF OBTAINING TAX EXEMPTION.

8. AT THE SAME TIME, THE CLOCK IS RUNNING OUT. IF NOTHING HAS HAPPENED BY ABOUT APRIL 1, THE CURRENT CONTRACTORS WILL BEGIN MAKING AND IMPLEMENTING THEIR PLANS TO MOVE OUT BY JUNE 30 (TRANS ASIA AND AMPAC) AND AUGUST 31 (FEC). IF WE ARE NOT ABLE TO HOLD BEFORE THEM THE PROSPECT OF EXTENSIONS FOR THREE TO SIX MONTHS, WE COULD END UP WITH NO SERVICES AT ALL WHEN CURRENT CONTRACTS EXPIRE. WE SHOULD THEREFORE HAVE THE IN-HOUSE OPTION UP OUR SLEEVES FOR USE WITH THE RTG (AND FOR ACTUAL IMPLEMENTATION) IF NECESSARY, EITHER ON AN INTERIM, STOP-GAP BASIS OR PERMANENTLY.

9. ACTION REQUESTED: THAT WE BE AUTHORIZED, SUBJECT TO THE CONTENTS OF THE THAI REPLY TO MY LETTER TO SANYA AND THE NATURE OF THE COMPROMISE CONTAINED THEREIN, AND AFTER ALL EFFORTS TO NEGOTIATE THE SOLUTION AS PROPOSED IN THAT LETTER HAVE BEEN EXHAUSTED TO (A) PROPOSE THE MOD-MACHTAI SOLUTION (REF B), AND AS TIMING AND TACTICS REQUIRE, AND IF EXTENSION OF PRESENT CONTRACTS CANNOT BE TIMELY OBTAINED, TO MAKE USE ALSO, AS A FALL-BACK, OF THE IN-HOUSE SOLUTION.
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